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SUBJECT: UKRAINE: PM YANUKOVYCH TELLS A/S FRIED: UKRAINE'S EUROPEAN CHOICE HAS BEEN DECIDED

Classified By: Ambassador, reason 1.4 (b,d)

¶1. (C) Summary. PM Yanukovych told visiting EUR A/S Fried and Ambassador November 16 that he was determined to bring Ukraine to Europe, meaning the WTO soon, and eventually into the EU and NATO. The latter would take time, both to change currently ambivalent public opinion and also to strengthen Ukraine's economic position, including developing energy alternatives to Russia, particularly through cooperation with Kazakhstan and Azerbaijan. Yanukovych was defensive about the Orange Revolution but conciliatory toward Yushchenko, whom he clearly (and possibly accurately) believed to be beaten politically. He said that he shared the strategic objective of a European future with Yushchenko, but differed on tactics and timing.

¶2. (C) Comment: The PM is no born democrat, and probably not even a born-again democrat. Still, two things came through that we can make use of: Yanukovych clearly wants respect and, in particular, to get rid of the label of having been the villain of the Orange Revolution. Second, though Yanukovych does not think in terms of values, he does seem to be thinking in terms of Ukraine's national interest, its sovereignty, and its freedom of action, especially vis a vis Russia. Yanukovych seems to want, in other words, to be the leader of a sovereign country, not a stooge of the Kremlin. This give us something to work with, including during his December 4-5 visit to Washington. End Summary and Comment.

Lunch with the Hunter

¶3. (C) EUR A/S Fried and Ambassador had lunch November 16 with PM Viktor Yanukovych and two of his foreign policy advisers, Konstantin Hryshchenko and Andriy Fialko. Fried stressed to Yanukovych how important his scheduled meeting with the Vice President in Washington would be in presenting a new face for himself and changing perceptions of his role in the 2004 Presidential elections. The Vice President would listen carefully to Yanukovych's vision for Ukraine's direction, its energy policy, and relations with Russia and Central Asia. The U.S. considered that Yanukovych had prevailed in post-election maneuvering through the democratic process and would work with him on that basis. Ukraine's internal politics were not the USG's concern; Ukraine's policies were.

¶4. (C) Yanukovych, who in a November 5 lunch with Ambassador had bragged how he had brought down three boars from 70 meters with single shots, replied that "I am a hunter; I know how to be patient and when to take the right shot." He had a vision and a strategy for Ukraine which was in line with Yushchenko's; the differences were over the tactics, and what speed to pursue the strategic goals. On the WTO, Yanukovych said the recent U.S.-Russia bilateral agreement was an incentive for Ukraine to finish quickly; he intended to complete all steps by mid-December to allow for possible

accession in February.

¶15. (C) Yanukovych claimed to be doing everything possible to stabilize his relationship with Yushchenko and form an effective partnership (note: the pair met for eight hours November 13). Yanukovych and Regions wanted a strong President with higher ratings, but Yushchenko had advisers like Tarasyuk whose suggestions hurt the President. The chief sticking point remained the presence in Yanukovych's cabinet of ministers who claimed that they were in opposition to the coalition government. Either they should state their clear support for the government as opposed to their parties' positions, or they should quit the cabinet, in which case Yushchenko could name replacements, and Yanukovych would work to secure Rada approval. (note: it appeared Yanukovych was referring to all five remaining "orange" ministers - Foreign Affairs, Defense, Interior, Health, and Youth/Family/Sports).

¶16. (C) Two times later in the conversation, the PM returned to the theme of support for Yushchenko, affirming his "100% support for higher ratings" for the President. He said the only way to ensure a second term for Yushchenko was to give him credit now for positive news on the economy. "I propose that we shake hands and move forward together." And "after the parliamentary elections I extended my hand in partnership. I do so again. He thinks a lot; I act. We both want a partnership."

Ukraine's European Choice

¶17. (C) Yanukovych claimed that Ukraine had already made its European choice; the question of how to get there depended on political will and capabilities. Ukraine could not enter

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Europe with a dirt poor population; it had to help them get richer, convince them to work hard and not steal, clean up corruption, and continue reform, including improving the investment climate. A/S Fried suggested starting with resolving long-standing investment disputes.

¶18. (C) Yanukovych said that "if he happened to bump into the President" in Washington, he would make a pitch for help with EU leaders, particularly Merkel, to give Ukraine a signal for prospects, to show that the door was not shut in their face. Yanukovych expressed a distaste for current Italian PM Prodi, who as European Commission head in 2004, when Yanukovych was previously PM, had categorically ruled out Ukrainian membership. Ukraine needed a ten-year framework as an incentive to reform and give it hope for eventual membership. A/S Fried cautioned that Ukraine should not expect much on membership from the EU, but the U.S. agreed on the importance of keeping the EU's door open until Europe was in a less inward-looking frame of mind and Ukraine looked more like a viable member.

¶19. (C) Turning to relations with NATO, Yanukovych asked to be judged on actions, not words. He did plan to act, citing Regions' support of the military exercise bill passed the same day he had been named PM in August, a move criticized only by pro-Russian radical Natalya Vitrenko. Yanukovych had argued to the Regions Rada faction that the bill made sense because: it supported the European choice; it was cheaper than exercising alone; it prepared against possible terrorist acts; and Ukraine's forces needed training. (note: Yanukovych also disingenuously criticized his predecessors for failing to secure earlier passage of the annual bill; such efforts failed because Regions repeatedly voted against it, both before and after the March elections, until they formed the new Rada coalition majority).

¶10. (C) Yanukovych stated that he had budgeted for a NATO information campaign (note: \$600,000 in 2007, less than in 2006, and far less than what is needed. End note) and claimed that, while at NATO September 14, he had asked NATO

SYG de Hoop Scheffer for programs and speakers for the education campaign (note: Yanukovych took U.S PermRep Nuland aside with such a request, but NATO staffers in Kyiv claim no knowledge of such a request to the SYG. End note). The effort would "probably" take three years, he predicted, to be marked by a gradual increase in support, and decrease in opposition. The three year period would extend past the Russian Presidential elections in 2008.

¶11. (C) Returning to his hunter analogy, Yanukovych said that there was a need to be patient, in the meantime improve the economy, save and diversify energy, and become less dependent on Russian gas. A quick move towards NATO now would lead the Russians to raise gas prices to \$180/tcm this winter, which would drive the Ukrainian chemical and metallurgical sectors into deep crisis and significantly decrease support for NATO.

Once Ukraine was stronger, it would be in a better position to engage Russia on why Ukraine in NATO could be good for them too. Internally, Ukrainians would not believe FM Tarasyuk if he tried to assure them that NATO had no intention of putting military bases on Ukrainian territory. If he or his advisers gave the same assurances, Ukrainians would believe them.

Energy, Russia, Central Asia, CIS

¶12. (C) In particular, Yanukovych stressed, Ukraine needed to develop energy alternatives to escape Russian monopoly control. In practical terms, this meant putting off a confrontation with Russia in the near term, i.e., not challenging current pipeline arrangements, but seeking instead to work effectively with Kazakh President Nazarbayev and Azeri President Aliyev, whom Yanukovych respected and liked, on non-Russian controlled gas supplies. (Note: This may be wishful thinking, as A/S Fried pointed out, since Russia will not easily allow Ukraine to escape the energy "iron ring" that Moscow appears intent on constructing. End note) Yanukovych also raised Ukraine's long-term interest in developing gas relations with Iran once the current nuclear problem was resolved. Fried urged caution in any approach to Iran.

¶13. (C) Yanukovych raised a companion political element to cooperation with Kazakhstan and Azerbaijan: to mitigate Russian regional domination. When he met with other CIS leaders in Sochi in August, Yanukovych said they pleaded with him not to allow Ukraine to leave the CIS, since Ukraine provided the counterweight to total Russian domination. Without Ukraine, they agreed, Putin would treat the remainder as little brothers. Tarasyuk's suggestion that Ukraine leave

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the CIS had no benefits, only costs, he claimed.

Orange Revolution: celebration would be divisive

¶14. (C) Yanukovych said he had urged Yushchenko not to politicize the November 22 second anniversary of the Orange Revolution. Ukraine should remember the events, recognize the achievements and failures, and agree on the values of freedom and democracy. But celebrating the anniversary would be divisive.

¶15. (U) A/S Fried did not have the opportunity to clear this cable.

¶16. (U) Visit Embassy Kyiv's classified website:
www.state.sgov.gov/p/eur/kiev.

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